

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HICKMAN COUNTY FISCAL COURT

June 30, 2006

Romaine & Associates, PLLC has completed the audit of the Hickman County Fiscal Court for fiscal year ended June 30, 2006.

We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Hickman County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$2,873,137 as of June 30, 2006. The fiscal court had unrestricted net assets of \$408,759 in its governmental activities as of June 30, 2006, with total net assets of \$2,860,838. In its business-type activities, total net cash and cash equivalents were \$12,299 with total net assets of \$12,299. The fiscal court had total debt principal as of June 30, 2006 of \$3,895,568 with \$138,425 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR'S REPORT.....	1
HICKMAN COUNTY OFFICIALS.....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	5
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	7
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	16
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	18
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	20
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	22
NOTES TO FINANCIAL STATEMENTS.....	24
BUDGETARY COMPARISON SCHEDULES	37
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	40
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	42
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	44
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	46
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

Krista Romaine, CPA, Member
Charlotte Clark, Member

Romaine and Associates PLLC

William Erwin, CPA
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hickman County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Hickman County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Members of the Hickman County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hickman County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2007 on our consideration of Hickman County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Romaine & Associates, PLLC
Romaine & Associates, PLLC
Certified Public Accountants

April 12, 2007

HICKMAN COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Greg Pruitt	County Judge/Executive
Gary Jones	Commissioner
Tommy Roberts	Commissioner
Harold Jackson	Commissioner
Irvin Stroud	Former Commissioner

Other Elected Officials:

Sue Morris	County Attorney
Thomas Bugg	Former County Attorney
Chad Frizzell	Jailer
Robert Tarver	Former Jailer
James Berry	County Clerk
Sophia Barclay	Former County Clerk
John Turner	Sheriff
J. W. Moran	Former Sheriff
Anita Mullins	Property Valuation Administrator
James Berry, Jr.	Coroner

Appointed Personnel:

Carol Malugin	County Treasurer
Nancy Pruitt	Deputy Judge/Executive

HICKMAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

HICKMAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 410,383	\$ 12,299	\$ 422,682
Investments	268,218		268,218
Total Current Assets	678,601	12,299	690,900
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	68,693		68,693
Buildings	4,921,736		4,921,736
Equipment	80,801		80,801
Vehicles	138,896		138,896
Infrastructure Assets - Net of Depreciation	867,679		867,679
Total Noncurrent Assets	6,077,805		6,077,805
Total Assets	6,756,406	12,299	6,768,705
LIABILITIES			
Current Liabilities:			
Financing Obligations	8,425		8,425
Bonds	130,000		130,000
Total Current Liabilities	138,425		138,425
Noncurrent Liabilities:			
Financing Obligations	112,143		112,143
Bonds	3,645,000		3,645,000
Total Noncurrent Liabilities	3,757,143		3,757,143
Total Liabilities	3,895,568		3,895,568
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 2,320,662	\$	\$ 2,320,662
Restricted For:			
Debt Service	269,842		269,842
Unrestricted	270,334	12,299	282,633
Total Net Assets	\$ 2,860,838	\$ 12,299	\$ 2,873,137

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

HICKMAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 864,253	\$ 3,235	\$ 95,689	\$ 48,016
Protection to Persons and Property	869,450	45,006	803,413	19,950
General Health and Sanitation	12,971			202,243
Social Services	250			
Recreation and Culture	4,960			
Roads	459,056		516,418	507,527
Interest on Long-term Debt and Financing Obligations	195,030		118,626	
Total Governmental Activities	2,405,970	48,241	1,534,146	777,736
Business-type Activities:				
Jail Canteen	58,124	68,170		
Total Business-type Activities	58,124	68,170		
Total Primary Government	\$ 2,464,094	\$ 116,411	\$ 1,534,146	\$ 777,736

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes
In Lieu of Tax Payments
Excess Fees
Miscellaneous Revenues
Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (717,313)	\$	\$ (717,313)
(1,081)		(1,081)
189,272		189,272
(250)		(250)
(4,960)		(4,960)
564,889		564,889
(76,404)		(76,404)
(45,847)		(45,847)
	10,046	10,046
	10,046	10,046
(45,847)	10,046	(35,801)
164,048		164,048
523		523
23,135		23,135
109,660		109,660
34,720		34,720
18,555		18,555
114,433		114,433
12,506	44	12,550
477,580	44	477,624
431,733	10,090	441,823
2,429,105	2,209	2,431,314
\$ 2,860,838	\$ 12,299	\$ 2,873,137

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

HICKMAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Courthouse Annex Sinking Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 75,844	\$ 306,188	\$ 1,410	\$ 1,121
Investments				122,756
Total Assets	<u>\$ 75,844</u>	<u>\$ 306,188</u>	<u>\$ 1,410</u>	<u>\$ 123,877</u>
FUND BALANCES				
Unreserved:				
General Fund	\$ 75,844	\$	\$	\$
Special Revenue Funds		306,188	1,410	
Debt Service Fund				123,877
Total Fund Balances	<u>\$ 75,844</u>	<u>\$ 306,188</u>	<u>\$ 1,410</u>	<u>\$ 123,877</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Depreciation

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

Due Within One Year - Bonds and Financing Obligation Principal

Due In More Than One Year - Bonds and Financing Obligation Principal

Net Assets Of Governmental Activities

HICKMAN COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****June 30, 2006****(Continued)**

Detention Center Sinking Fund	Non- Major Funds	Total Governmental Funds
\$ 503	\$ 25,317	\$ 410,383
145,462		268,218
<u>\$ 145,965</u>	<u>\$ 25,317</u>	<u>\$ 678,601</u>

\$	\$	\$ 75,844
	25,317	332,915
145,965		269,842
<u>\$ 145,965</u>	<u>\$ 25,317</u>	<u>\$ 678,601</u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 297,366	\$	\$
In Lieu Tax Payments	34,720		
Excess Fees	18,555		
Licenses and Permits	2,291		
Intergovernmental	143,705	1,023,945	799,354
Charges for Services	944		45,006
Miscellaneous	37,953	27,910	46,958
Interest	1,015	3,335	309
Total Revenues	<u>536,549</u>	<u>1,055,190</u>	<u>891,627</u>
EXPENDITURES			
General Government	357,650		
Protection to Persons and Property	61,934		702,122
General Health and Sanitation	1,485		
Social Services	250		
Roads		362,693	
Debt Service	5,066	9,749	
Capital Projects	44,960	391,278	
Administration	173,021	104,713	162,951
Total Expenditures	<u>644,366</u>	<u>868,433</u>	<u>865,073</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(107,817)</u>	<u>186,757</u>	<u>26,554</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	210,255	141,864	173,165
Transfers To Other Funds	(217,043)	(305,731)	(198,330)
Total Other Financing Sources (Uses)	<u>(6,788)</u>	<u>(163,867)</u>	<u>(25,165)</u>
Net Change in Fund Balances	(114,605)	22,890	1,389
Fund Balances - Beginning (Restated)	190,449	283,298	21
Fund Balances - Ending	<u>\$ 75,844</u>	<u>\$ 306,188</u>	<u>\$ 1,410</u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Courthouse Annex Sinking Fund	Detention Center Sinking Fund	Building Construction Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$	\$
				297,366
				34,720
				18,555
				2,291
118,626		192,226	34,026	2,311,882
				45,950
			1,612	114,433
1,973	5,643	22	209	12,506
<u>120,599</u>	<u>5,643</u>	<u>192,248</u>	<u>35,847</u>	<u>2,837,703</u>
1,974			11,907	371,531
			24,828	788,884
				1,485
				250
				362,693
118,216	195,200			328,231
		199,493	10,689	646,420
			916	441,601
<u>120,190</u>	<u>195,200</u>	<u>199,493</u>	<u>48,340</u>	<u>2,941,095</u>
409	(189,557)	(7,245)	(12,493)	(103,392)
	282,995		2,123	810,402
	(89,291)	(7)		(810,402)
	<u>193,704</u>	<u>(7)</u>	<u>2,123</u>	
409	4,147	(7,252)	(10,370)	(103,392)
123,468	141,818	7,252	35,687	781,993
<u>\$ 123,877</u>	<u>\$ 145,965</u>	<u>\$ 0</u>	<u>\$ 25,317</u>	<u>\$ 678,601</u>

The accompanying notes are an integral part of the financial statements.

**HICKMAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2006

HICKMAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (103,392)
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	646,420
Depreciation Expense	(244,496)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions have no effect on net assets.

Financing Obligations Principal Payments	8,201
Bond Principal Payments	<u>125,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 431,733</u></u>
---	--------------------------

HICKMAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

HICKMAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 12,299
Total Current Assets	<u>12,299</u>
 Total Assets	 <u>\$ 12,299</u>
 Net Assets	
Unrestricted	12,299
Total Net Assets	<u><u>\$ 12,299</u></u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 68,170
Total Operating Revenues	<u>68,170</u>
Operating Expenses	
Canteen Disbursements	58,124
Total Operating Expenses	<u>58,124</u>
Operating Income (Loss)	<u>10,046</u>
Nonoperating Revenues (Expenses)	
Interest Income	44
Total Nonoperating Revenues (Expenses)	<u>44</u>
Change In Net Assets	10,090
Total Net Assets - Beginning	2,209
Total Net Assets - Ending	<u><u>\$ 12,299</u></u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

HICKMAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 68,170
Cash Payments for Cost of Sales and Other Benefits	(58,124)
Net Cash Provided By Operating Activities	<u>10,046</u>
Cash Flows From Investing Activities	
Interest Earned	44
Net Cash Provided By Investing Activities	<u>44</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,090
Cash and Cash Equivalents - July 1	<u>2,209</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 12,299</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	<u>\$ 10,046</u>
Net Cash Provided By Operating Activities	<u><u>\$ 10,046</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	24
NOTE 2. DEPOSITS	30
NOTE 3. CAPITAL ASSETS.....	31
NOTE 4. LONG-TERM DEBT	32
NOTE 5. INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS	34
NOTE 6. EMPLOYEE RETIREMENT SYSTEM	34
NOTE 7. INSURANCE	34
NOTE 8. PRIOR PERIOD ADJUSTMENT	35

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Hickman County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The Hickman County Public Properties Corporation has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the County. The Corporation is the issuing body for the public property revenue bonds for the courthouse facilities. The Corporation is also responsible for the Debt Service Sinking Funds for the bond issue.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Hickman County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Hickman County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Courthouse Annex Sinking Fund - The purpose of this fund is to account for debt service requirements of the Courthouse Annex public property revenue bonds.

Detention Center Sinking Fund - The purpose of this fund is to account for debt service requirements for the Detention Center revenue bonds.

Building Construction Fund - The purpose of this fund is to account for the acquisition of major capital facilities. The primary source of revenue for this fund is state and federal grants, and transfers from the General Fund. The Fiscal Court is required to maintain these funds separate from the General Fund.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Ambulance Fund, Homeland Security Fund, and Book Restoration Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Ambulance Fund, Homeland Security Fund, and Book Restoration Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Courthouse Annex Sinking Fund and the Detention Center Sinking Fund are presented as debt service funds. A debt service fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Capital Projects Fund:

The Building Construction Fund is presented as capital project fund.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and expenses for the education and recreation of prisoners.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Buildings	\$ 2,500	10-75
Equipment	\$ 2,500	3-10
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 2,500	10-50

F. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund or the Sinking Funds to be budgeted.

I. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hickman County Fiscal Court: Hickman County Industrial Development Authority and the Columbus Fire District.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480 (1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Hickman County Fiscal Court has a deposit policy with both banks that hold their deposits. Clinton Bank has \$500,000 of pledged securities in the County's name. First Community Bank has a Bank Guaranty Bond of \$750,000 in the County's name.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 68,693	\$	\$	\$ 68,693
Total Capital Assets Not Being Depreciated	68,693			68,693
Capital Assets, Being Depreciated:				
Buildings	5,910,859	258,018		6,168,877
Construction in Progress	58,525	199,493	(258,018)	
Equipment	60,507	55,649		116,156
Vehicles	738,121			738,121
Infrastructure	592,321	391,278		983,599
Total Capital Assets Being Depreciated	7,360,333	904,438	(258,018)	8,006,753
Less Accumulated Depreciation For:				
Buildings	(1,109,944)	(137,197)		(1,247,141)
Equipment	(20,402)	(14,953)		(35,355)
Vehicles	(562,387)	(36,838)		(599,225)
Infrastructure	(60,412)	(55,508)		(115,920)
Total Accumulated Depreciation	(1,753,145)	(244,496)		(1,997,641)
Total Capital Assets, Being Depreciated, Net	5,607,188	659,942	(258,018)	6,009,112
Governmental Activities Capital Assets, Net	\$ 5,675,881	\$ 659,942	\$ (258,018)	\$ 6,077,805

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 51,121
Protection to Persons and Property	80,566
General Health and Sanitation	11,486
Recreation and Culture	4,960
Roads, Including Depreciation of General Infrastructure Assets	96,363
Total Depreciation Expense - Governmental Activities	<u>\$ 244,496</u>

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Long-term Debt

A. Courthouse Facility Bonds Payable

Hickman County Public Properties Corporation entered into a bond issue, Hickman County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Courthouse Annex Facilities Project) Series 1999, on July 1, 1999, for the purpose of financing the acquisition and construction of an annex to the courthouse. The issue amount of the bonds was \$1,640,000. The bonds began maturing March 1, 2000. The Kentucky Administrative Office of the Courts (AOC) is responsible for 89% of the cost of the bonds. The Public Properties Corporation is responsible for the remaining balance of the cost. The outstanding principal balance as of June 30, 2006, was \$1,385,000.

Debt service requirements are:

<u>June 30</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 71,102	\$ 50,000
2008	68,752	50,000
2009	66,302	55,000
2010	63,606	55,000
2011	60,856	60,000
2012-2016	256,768	340,000
2017-2021	158,978	440,000
2022-2023	29,664	335,000
Totals	<u>\$ 776,028</u>	<u>\$ 1,385,000</u>

B. Detention Center Bonds Payable

Hickman County Fiscal Court entered into a bond issue, Hickman County General Obligation Improvement Bonds (Detention Facilities Project) Series 1999, on April 1, 1999, for the purpose of financing the acquisition, construction, and improvement of the Detention Facilities. This bond issue also establishes a debt reserve "to secure the timely payment of said Bonds". The issue amount of the bonds was \$2,820,000. The bonds began maturing October 1, 1999. The outstanding principal balance as of June 30, 2006, was \$2,390,000.

Debt service requirements are:

<u>June 30</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 111,520	\$ 80,000
2008	107,725	85,000
2009	103,700	90,000
2010	99,445	95,000
2011	95,075	95,000
2012-2016	403,500	550,000
2017-2021	261,165	695,000
2022-2025	72,500	700,000
Totals	<u>\$ 1,254,630</u>	<u>\$ 2,390,000</u>

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Long-term Debt (Continued)

C. Financing Obligations

In April 2005, Hickman County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of a backhoe and a tractor. Total cost for the equipment was \$97,002. The principal balance is to be paid in ten annual installments in various amounts beginning in July 2005 and ending in July 2015. Interest and fees are paid monthly throughout the life of the lease at 3.56%. The principal balance at June 30, 2006, was \$92,002.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2007	\$ 5,000	\$ 3,803
2008	10,000	3,394
2009	10,000	2,960
2010	10,000	2,529
2011	10,000	2,096
2012-2016	47,002	4,100
Totals	<u>\$ 92,002</u>	<u>\$ 18,882</u>

D. Financing Obligations

On April 1, 1998, Hickman County Fiscal Court entered into a lease purchase agreement with Clinton Bank for the remaining balance left on the installation of the courthouse elevator. Total cost of the installation was \$150,000 of which the Administrative Office of the Courts paid \$100,000. The remaining balance of \$50,000 was to be paid annually in various principal payment amounts by the Hickman County Fiscal Court at an interest rate of 5.75 percent for a period of 15 years. The principal balance as of June 30, 2006, was \$28,566.

Debt service requirements are:

Fiscal Year Ended June 30		
	Principal	Interest & Fees
2007	\$ 3,425	\$ 1,640
2008	3,618	1,447
2009	3,830	1,235
2010	4,051	1,015
2011	4,284	782
2012-2013	9,358	813
Totals	<u>\$ 28,566</u>	<u>\$ 6,932</u>

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Bonds payable	\$ 3,900,000	\$	\$ 125,000	\$ 3,775,000	\$ 130,000
Financing Obligations	128,769		8,201	120,568	8,425
Governmental Activities Long-term Liabilities	<u>\$ 4,028,769</u>	<u>\$ 0</u>	<u>\$ 133,201</u>	<u>\$ 3,895,568</u>	<u>\$ 138,425</u>

Note 5. Interest On Long-Term Debt and Financing Obligations

Interest on Long-Term Debt and Financing Obligations on the Statement of Activities includes \$6,614 in interest on financing obligations and \$188,416 in interest on bonds.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2006, Hickman County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Prior Period Adjustment

Due to misstatements reported in the prior year audit report on cash, capital assets, and debt, the beginning balances for assets, liabilities, and net assets have been restated.

	Beginning Balances 6/30/2005	Prior Period Adjustments	(Restated) Beginning Balances 6/30/2005
<u>Governmental Activities</u>			
Assets:			
Current Assets:			
Cash	\$ 508,571	\$ 9,277	\$ 517,848
Investments	264,145	-	264,145
Total Current Assets	772,716	9,277	781,993
Noncurrent Assets:			
Capital Assets-Net of Accumulated Depreciation			
Land	68,693	-	68,693
Buildings	4,800,915	-	4,800,915
Equipment	40,105	-	40,105
Vehicles	88,433	87,302	175,735
Infrastructure	531,908	-	531,908
Construction in Progress	58,525	-	58,525
Total Noncurrent Assets	5,588,579	87,302	5,675,881
Total Assets	6,361,295	96,579	6,457,874
Liabilities:			
Current Liabilities:			
Notes Payable	3,239	5,000	8,239
Bonds Payable	125,000	-	125,000
Total Current Liabilities	128,239	5,000	133,239
Noncurrent Liabilities:			
Notes Payable	28,528	92,002	120,530
Bonds Payable	3,775,000	-	3,775,000
Total Noncurrent Liabilities	3,803,528	92,002	3,895,530
Total Liabilities	3,931,767	97,002	4,028,769
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,656,812	(9,700)	1,647,112
Unrestricted	772,716	9,277	781,993
Total Net Assets	\$ 2,429,528	\$ (423)	\$ 2,429,105

The fund balance of the General Fund was also restated by \$9,277 to \$190,449.

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 257,846	\$ 305,027	\$ 297,366	\$ (7,661)
In Lieu Tax Payments	32,182	34,720	34,720	
Excess Fees		18,555	18,555	
Licenses and Permits		1,173	2,291	1,118
Intergovernmental	82,050	146,480	143,705	(2,775)
Charges for Services			944	944
Miscellaneous	27,980	43,965	37,953	(6,012)
Interest	1,921	1,921	1,015	(906)
Total Revenues	<u>\$ 401,979</u>	<u>\$ 551,841</u>	<u>\$ 536,549</u>	<u>\$ (15,292)</u>
EXPENDITURES				
General Government	397,218	476,361	357,650	118,711
Protection to Persons and Property	6,436	8,107	61,934	(53,827)
General Health and Sanitation	1,140	1,485	1,485	
Social Services	1,705	1,705	250	1,455
Debt Service	6,801	6,915	5,066	1,849
Capital Projects			44,960	(44,960)
Administration	201,850	185,060	173,021	12,039
Total Expenditures	<u>\$ 615,150</u>	<u>\$ 679,633</u>	<u>\$ 644,366</u>	<u>\$ 35,267</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(213,171)</u>	<u>(127,792)</u>	<u>(107,817)</u>	<u>19,975</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	176,089	176,089	210,255	34,166
Transfers To Other Funds	(62,244)	(147,623)	(217,043)	(69,420)
Total Other Financing Sources (Uses)	<u>\$ 113,845</u>	<u>\$ 28,466</u>	<u>\$ (6,788)</u>	<u>\$ (35,254)</u>
Net Changes in Fund Balance	(99,326)	(99,326)	(114,605)	(15,279)
Fund Balance - Beginning (Restated)	<u>99,326</u>	<u>99,326</u>	<u>190,449</u>	<u>91,123</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75,844</u>	<u>\$ 75,844</u>

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,521,339	\$ 1,541,942	\$ 1,023,945	\$ (517,997)
Miscellaneous	20,390	20,653	27,910	7,257
Interest	3,906	3,906	3,335	(571)
Total Revenues	<u>\$ 1,545,635</u>	<u>\$ 1,566,501</u>	<u>\$ 1,055,190</u>	<u>\$ (511,311)</u>
EXPENDITURES				
Roads	\$ 409,880	\$ 429,069	\$ 362,693	\$ 66,376
Debt Service			9,749	(9,749)
Capital Projects	925,560	1,016,301	391,278	625,023
Administration	340,204	250,940	104,713	146,227
Total Expenditures	<u>\$ 1,675,644</u>	<u>\$ 1,696,310</u>	<u>\$ 868,433</u>	<u>\$ 827,877</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(130,009)</u>	<u>(130,009)</u>	<u>186,757</u>	<u>316,566</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			141,864	141,864
Transfers To Other Funds	<u>(176,089)</u>	<u>(176,089)</u>	<u>(305,731)</u>	<u>(129,642)</u>
Total Other Financing Sources (Uses)	<u>(176,089)</u>	<u>(176,089)</u>	<u>(163,867)</u>	<u>12,222</u>
Net Changes in Fund Balance	<u>(306,098)</u>	<u>(306,098)</u>	<u>22,890</u>	<u>328,988</u>
Fund Balance - Beginning	<u>306,098</u>	<u>306,098</u>	<u>283,298</u>	<u>(22,800)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 306,188</u>	<u>\$ 306,188</u>

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 827,604	\$ 842,073	\$ 799,354	\$ (42,719)
Charges for Services	47,461	48,320	45,006	(3,314)
Miscellaneous	53,353	56,133	46,958	(9,175)
Interest	240	258	309	51
Total Revenues	<u>\$ 928,658</u>	<u>\$ 946,784</u>	<u>\$ 891,627</u>	<u>\$ (55,157)</u>
EXPENDITURES				
Protection to Persons and Property	\$ 626,190	\$ 703,975	\$ 702,122	\$ 1,853
Administration	362,738	388,479	162,951	225,528
Total Expenditures	<u>\$ 988,928</u>	<u>\$ 1,092,454</u>	<u>\$ 865,073</u>	<u>\$ 227,381</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(60,270)</u>	<u>(145,670)</u>	<u>26,554</u>	<u>172,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	60,270	145,649	173,165	27,516
Transfers To Other Funds			(198,330)	(198,330)
Total Other Financing Sources (Uses)	<u>60,270</u>	<u>145,649</u>	<u>(25,165)</u>	<u>(170,814)</u>
Net Changes in Fund Balance		(21)	1,389	1,410
Fund Balance - Beginning	<u>21</u>	<u>21</u>	<u>21</u>	
Fund Balance - Ending	<u>\$ 21</u>	<u>\$ 0</u>	<u>\$ 1,410</u>	<u>\$ 1,410</u>

HICKMAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Budget adjustments were made in connection with the audit to correct prior year carryover mistakes and to bring the budget into balance.

**HICKMAN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2006

HICKMAN COUNTY
COMBINING BALANCE SHEET --
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	LGEA Fund	DES Fund	Ambulance Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 285	\$ 13,390	\$ 11,642	\$ 25,317
Total Assets	<u>\$ 285</u>	<u>\$ 13,390</u>	<u>\$ 11,642</u>	<u>\$ 25,317</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 285	\$ 13,390	\$ 11,642	\$ 25,317
Total Fund Balances	<u>\$ 285</u>	<u>\$ 13,390</u>	<u>\$ 11,642</u>	<u>\$ 25,317</u>

HICKMAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

HICKMAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	LGEA Fund	DES Fund	Ambulance Fund	Homeland Security Fund	Book Restoration Fund	Total Non-Major Governmental Funds
REVENUES						
Intergovernmental	\$ 979	\$ 3,080	\$ 10,017	\$ 19,950	\$	\$ 34,026
Miscellaneous	597	15	1,000			1,612
Interest		120	89			209
Total Revenues	\$ 1,576	\$ 3,215	\$ 11,106	\$ 19,950	\$ 0	\$ 35,847
EXPENDITURES						
General Government	\$ 2,784	\$	\$ 1,689	\$	\$ 7,434	\$ 11,907
Protection to Persons and Property	658	4,220		19,950		24,828
Capital Projects			10,689			10,689
Administration	220	696				916
Total Expenditures	\$ 3,662	\$ 4,916	\$ 12,378	\$ 19,950	\$ 7,434	\$ 48,340
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(2,086)	(1,701)	(1,272)		(7,434)	(12,493)
Other Financing Sources (Uses)						
Transfers From Other Funds	2,123					2,123
Total Other Financing Sources (Uses)	2,123					2,123
Net Change in Fund Balances	37	(1,701)	(1,272)		(7,434)	(10,370)
Fund Balances - Beginning	248	15,091	12,914		7,434	35,687
Fund Balances - Ending	\$ 285	\$ 13,390	\$ 11,642	\$ 0	\$ 0	\$ 25,317

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Krista Romaine, CPA, Member
Charlotte Clark, Member



William Erwin, CPA
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Greg Pruitt, Hickman County Judge/Executive
Members of the Hickman County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 12, 2007. Hickman County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hickman County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hickman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Romaine & Associates, PLLC
Certified Public Accountants

April 12, 2007

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

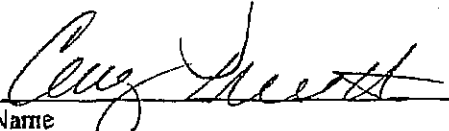
HICKMAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2006**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HICKMAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2006

The Hickman County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer